

**JACKSON DOWNTOWN
DEVELOPMENT AUTHORITY**

Basic Financial Statements

For The Year Ended June 30, 2008



REHMANN ROBSON

Certified Public Accountants

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

November 10, 2008

To the Board of Directors of the
Jackson Downtown Development Authority
City of Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Jackson Downtown Development Authority (the "Authority")***, a component unit of the ***City of Jackson***, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Jackson Downtown Development Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Jackson Downtown Development Authority as of June 30, 2008, and the respective changes in its financial position thereof and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the financial statements.

BASIC FINANCIAL STATEMENTS

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

JUNE 30, 2008

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 256,822	\$ -	\$ 256,822
Total assets	<u>\$ 256,822</u>	<u>\$ -</u>	<u>\$ 256,822</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accounts payable	\$ 4,315	\$ -	4,315
Deferred/unearned revenue	5,000	-	5,000
Total liabilities	<u>9,315</u>	<u>-</u>	<u>9,315</u>
Fund balance			
Unreserved - undesignated	<u>247,507</u>	<u>(247,507)</u>	<u>-</u>
Total fund balance	<u>247,507</u>	<u>(247,507)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 256,822</u>		
 Net assets - Unrestricted		<u>\$ 247,507</u>	<u>\$ 247,507</u>

The accompanying notes are an integral part of these financial statements.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2008

	General Fund Actual	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 93,081	\$ -	\$ 93,081
State shared revenue - inventory tax reimbursement	6,347	-	6,347
Interest	8,307	-	8,307
Events contributions	34,181	-	34,181
Contribution from City of Jackson	-	25,000	25,000
	<u>141,916</u>	<u>25,000</u>	<u>166,916</u>
Total revenues	141,916	25,000	166,916
Expenditures/expenses			
Advertising and promotions	5,905	-	5,905
Contractual services	93,211	-	93,211
Office supplies	2,134	-	2,134
Office equipment repair/replacement	1,224	-	1,224
Bank fees	3	-	3
Accounting and auditing	1,805	-	1,805
Telephone	686	-	686
Memberships, dues and fees	855	-	855
Publications and subscriptions	656	-	656
Conferences and travel	2,967	-	2,967
Special projects	4,360	-	4,360
Programs	29,043	-	29,043
Miscellaneous	205	-	205
	<u>143,054</u>	<u>-</u>	<u>143,054</u>
Total expenditures/expenses	143,054	-	143,054
Excess of revenues over (under) expenditures	(1,138)	25,000	23,862
Other financing sources:			
Transfer In -			
General Fund - City of Jackson	25,000	(25,000)	-
	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Net change in fund balances	23,862	23,862	
Change in net assets	-	(23,862)	23,862
Fund balance/net assets			
Beginning of year	223,645	-	223,645
	<u>223,645</u>	<u>-</u>	<u>223,645</u>
End of year	\$ 247,507	\$ -	\$ 247,507

The accompanying notes are an integral part of these financial statements.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	June 30, 2008				
	Original Budget	Amended Budget	Actual	Over (Under) Budget	June 30, 2007 Actual
Revenues					
Property taxes	\$ 93,200	\$ 93,200	\$ 93,081	\$ (119)	\$ 92,453
State shared revenue - inventory tax reimbursement	6,347	6,347	6,347	-	6,347
Interest	6,000	6,000	8,307	2,307	9,622
Events contributions	37,050	37,050	34,181	(2,869)	28,587
Miscellaneous	1,501	1,501	-	(1,501)	78
Total revenues	144,098	144,098	141,916	(2,182)	137,087
Expenditures					
Advertising and promotions	7,000	7,000	5,905	(1,095)	4,601
Contractual services	90,631	90,631	93,211	2,580	88,194
Office supplies	2,500	2,500	2,134	(366)	3,013
Office equipment repair/replacement	1,500	1,500	1,224	(276)	608
Bank fees	50	50	3	(47)	50
Accounting and auditing	2,200	2,200	1,805	(395)	4,080
Telephone	1,500	1,500	686	(814)	1,203
Memberships, dues and fees	1,500	1,500	855	(645)	1,010
Publications and subscriptions	800	800	656	(144)	669
Conferences and travel	3,500	3,500	2,967	(533)	2,607
Special projects	36,000	36,000	4,360	(31,640)	2,643
Programs	29,500	29,500	29,043	(457)	29,426
Miscellaneous	1,000	1,000	205	(795)	160
Total expenditures	177,681	177,681	143,054	(34,627)	138,264
Excess of revenues over (under) expenditures	(33,583)	(33,583)	(1,138)	32,445	(1,177)
Other financing sources:					
Transfer In - General Fund	25,000	25,000	25,000	-	25,000
Net change in fund balances	(8,583)	(8,583)	23,862	32,445	23,823
Fund balance					
Beginning of year	223,645	223,645	223,645	-	199,822
End of year	\$ 215,062	\$ 215,062	\$ 247,507	\$ 32,445	\$ 223,645

The accompanying notes are an integral part of these financial statements.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Jackson Downtown Development Authority (“Authority”) is a Component Unit of the City of Jackson, Michigan (“City”), and is presented as a discrete component unit in the City’s financial statements.

Authorized under Act No. 197 Public Acts of 1975, the Authority’s purpose is to revitalize the Downtown business district. The Authority operates under the supervision of a Board of Directors (appointed by the City Commission of the City of Jackson).

The Authority is a component unit of the City of Jackson, Michigan (the “City”) because the City appoints the Authority’s Board of Directors, it has the ability to significantly influence the Authority’s operations and it is financially accountable for the Authority. Accordingly, the Authority is presented as a discrete component unit in the City’s financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The major individual governmental fund is reported as a separate column in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The component-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the *general fund* as the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those, if any, required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Budgetary Information – The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures are shown on a natural classification basis, and the budgets are adopted and amended at the fund level.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

2. CASH AND EQUITY IN POOLED CASH AND INVESTMENTS

Deposits are classified as follows:

Petty cash	\$ 30
Deposits	<u>256,792</u>
	<u>\$256,822</u>

All accounts are in the name of the Downtown Development Authority. They are recorded in Authority records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

Statutory Authority

The Authority is authorized by Michigan law to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Cash and cash equivalents are in accordance with statutory authority.

JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the City's deposits may not be returned to the government. As of June 30, 2008, \$46,651 of the DDA's total bank balance of \$255,615 (total book balance was \$256,792) was exposed to custodial credit risk as it was uninsured and uncollateralized.

3. PROPERTY TAXES

Property taxes for the Authority are levied each July 1, based on the assessed valuation of property located in the City of Jackson, as of the preceding December 31, the lien date. Property taxes are due on July 20, and are recognized in the fiscal year in which they are levied. The Authority levied property taxes of two mills for the year ended June 30, 2008.

4. ADJUSTMENT

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

Net change in fund balances	\$ 23,862
Adjustments:	
Transfer amount from the primary government. For the statement of activities, other financial sources are eliminated and are reclassified as contributions:	
Transfer from the City of Jackson	(25,000)
Contributions from the City of Jackson	<u>25,000</u>
Change in net assets	<u>\$ 23,862</u>

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